CANADIAN TIRE



ANNUAL REPORT 1981

HIGHLIGHTS AT A GLANCE

DOLLARS IN THOUSANDS (except per share amounts)

	1981 (52 weeks)	1980 (53 weeks)	Annual Change
Gross operating revenue	**$ 1,340,764**	$ 1,057,536	26.8%
Pre-tax income	**$ 100,432**	$ 72,240	39.0%
Income taxes	**$ 48,966**	$ 34,513	41.9%
Income before extraordinary gain	**$ 51,466**	$ 37,727	36.4%
Net income	**$ 53,678**	$ 38,628	39.0%
Dividends	**$ 9,936**	$ 8,487	17.1%
Income retained and reinvested	**$ 43,742**	$ 30,141	45.1%
Per share:			
Income before extraordinary gain	**$ 4.05**	$ 3.07	31.9%
Net income	**$ 4.22**	$ 3.14	34.4%
Dividends	**$ 0.78**	$ 0.69	13.0%
Shareholders' equity	**$ 30.44**	$ 26.75	13.8%

CONTENTS

Canadian Tire Corporation, Limited
Home Office: 2180 Yonge Street, P.O. Box 770, Station K,
Toronto, Ontario, Canada M4P 2V8

Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport.

J. D. MUNCASTER, President, and A. E. BARRON, Chairman of the Board.

There's a lot more to Canadian Tire than tires . . .

HIGHLIGHTS AT A GLANCE

DOLLARS IN THOUSANDS (except per share amounts)

	1981 (52 weeks)	1980 (53 weeks)	Annual Change
Gross operating revenue	$ 1,340,764	$ 1,057,536	26.8%
Pre-tax income	$ 100,432	$ 72,240	39.0%
Income taxes	$ 48,966	$ 34,513	41.9%
Income before extraordinary gain	$ 51,466	$ 37,727	36.4%
Net income	$ 53,678	$ 38,628	39.0%
Dividends	$ 9,936	$ 8,487	17.1%
Income retained and reinvested	$ 43,742	$ 30,141	45.1%
Per share:			
Income before extraordinary gain	$ 4.05	$ 3.07	31.9%
Net income	$ 4.22	$ 3.14	34.4%
Dividends	$ 0.78	$ 0.69	13.0%
Shareholders' equity	$ 30.44	$ 26.75	13.8%

CONTENTS

Canadian Tire Corporation, Limited
Home Office: 2180 Yonge Street, P.O. Box 770, Station K,
Toronto, Ontario, Canada M4P 2V8

Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport.

J. D. MUNCASTER, President, and A. E. BARRON, Chairman of the Board.


auto centre
customer entrance

In 1981, three very significant milestones were achieved by Canadian Tire. Revenues grew to more than $1.3 billion, an increase of 26.8%. Pre-tax income exceeded $100-million, and net income after the payment of income taxes exceeded $50 million.

These results were achieved in an extremely difficult merchandising environment in which high levels of unemployment, constrained discretionary incomes, the impact of double-digit inflation and a very uncertain economic outlook, all caused customers to be extremely cautious and resourceful in planning their spending. 1981 was a year in which consumers avoided major new commitments, worked to make do with what they already had, and above all, were extremely value conscious.

In these circumstances, Canadian Tire's repair, maintenance and improvement products for the automobile and home, and particularly those of a do-it-yourself nature, were high on the consumer's shopping list. Frequent promotions featuring specially acquired products, or reduced prices on regular merchandise, attracted customers to our stores and their wide variety of keenly-priced everyday values. The result was a merchandise sales increase of 19% by our dealer organization—the highest rate of sales gain since 1976.

An increase of 22.9% in merchandise shipments to dealers was augmented by strong revenue gains—both because of price and volume—in the Petroleum Marketing Division to yield a gross operating revenue increase of 26.8% to $1.34 billion.

As reported previously, consolidated net income of the Company before extraordinary gain amounted to $51,466,000, an increase of 36.4% over 1980. Earnings per share before extraordinary gain were $4.05 in 1981, compared with $3.07 in 1980. Including gain on sale of property of $2,212,000 in 1981 and $901,000 in 1980, net income amounted to $53,678,000 ($4.22 per share) in 1981, compared with $38,628,000 ($3.14 per share) in 1980.

Lower operating costs as a percentage of revenue more than offset a minor reduction in gross margins, thus yielding higher operating profit as a percentage of revenue. Excluding interest expense of Canadian Tire Acceptance, all other interest expense, net of interest income, declined by $3.3 million. At Canadian Tire Acceptance, reflecting both increased borrowings and higher rates, interest expense increased by $6.9 million. Despite this increase, close control of expenses and collection activities, along with increased customer service charges and dealer discounts, resulted in the loss of the previous year being converted to an after-tax profit of $1.1 million in 1981. All other subsidiaries and major divisions, with the exception of Petroleum Marketing, recorded substantial profit gains. Severe price competition and reduced margins in the fourth quarter resulted in gasoline profits that were lower than the record level attained in 1980.

Capital expenditures

During the year, capital expenditures amounted to $46.8 million, an increase of $5.7 million from the previous year. This program included the opening of 15 new stores and the replacement of five existing outlets. Specific locations may be found on page 21. New auto parts depots were located in Moncton and Winnipeg, and 12 additional gasoline facilities were opened.

The westward thrust of our expansion program continued with eight new stores being opened in British Columbia and Alberta. In 1982, it is expected that the majority of new store openings will occur in British Columbia, including several on Vancouver Island. Over the ensuing two or three years, it is planned that new stores will be added to ensure that Canadian Tire is represented in virtually every Canadian community of a size that permits a profitable dealer operation.

Acquisition in United States

In recognition of the constraint to expansion in Canada, in early 1980 the management of the Company began a comprehensive review of the alternative growth strategies available. In early 1981, the Board of Directors decided that the development of a Canadian Tire-type business in the United States represented the preferred strategy. A detailed appraisal of existing companies in the home and auto store field was conducted both to assess future competitors and to identify potential acquisition candidates.

Canadian Tire is a "second home" to the automotive do-it-yourselfer. In addition, our 3,100 auto service bays and five centralized Auto Parts Depots provide "total service" to motorists across Canada. Cantire Products Limited, our remanufacturing subsidiary, is one of the world's largest suppliers of rebuilt parts for the automotive aftermarket.


MASTERCRAFT
EXTERIOR
Gelled
Alkyd
HOUSE PAINT

As a result of this process, White Stores, Inc., headquartered in Wichita Falls, Texas, was identified as the acquisition candidate with the greatest potential. Whites was large enough to possess a substantial infrastructure from which to expand; its stores were similar in size to those Canadian Tire would have built and generally included six to eight automotive service bays; and Whites stores were located primarily in Texas, a very desirable growth area of the United States.

A definitive purchase agreement was executed in November, 1981, by which Canadian Tire, effective January 1, 1982, acquired substantially all of the assets and operations of the retail and dealer divisions of Whites. Details of this transaction are outlined in Note 10 to the consolidated financial statements and may be found on page 19 of this Annual Report.

Although the operation of White Stores, Inc. is not expected to contribute significantly to the earnings of Canadian Tire for several years, Whites has been acquired as the base upon which a very substantial business will be built in the United States, thus providing continuing growth potential to the Company in those years following completion of the major portion of the Canadian expansion program.

Since the White Stores transaction was effective January 1, 1982, the Company's consolidated balance sheet as at January 2, 1982 reflects the assets and liabilities acquired in this purchase. The operating results of Whites for the period January 1 to January 2, 1982 are not significant in the consolidated statement of income.

Australian investment

During the year ended June 30, 1981, McEwan's Limited, in which Canadian Tire holds a 36.3% interest on a fully diluted basis, experienced an operating loss of $548,000 (Canadian). While this result was a significant improvement from the loss of $1,837,000 recorded the previous year, the performance of this Australian hardware retailer has remained disappointing. With the infusion of new management in the current fiscal year, some further improvement can be anticipated.

In recent months, it has become apparent that the Foreign Investment Review Board of Australia is unlikely to permit Canadian Tire to increase its shareholdings in McEwan's beyond 50%. As a consequence, the Company's investment will remain small both in terms of the time and effort required and in relation to its significance to the pursuit of the Company's growth objectives. Because of these factors, consideration is presently being given to the realization of the investment in McEwan's.

Financing

During the year, $10 million of 15¾% five year promissory notes were issued by our Acceptance company to provide for additional working capital. The funding of the Company's other Canadian activities required no external financing. Consolidated working capital increased by $26.6 million during the year to amount to $182.3 million at year end.

Subsequent to year end, on closing of the White Stores, Inc. transaction, as partial payment the Company issued three interest-bearing promissory notes each in the amount of $8.9 million (U.S.) and maturing on December 31, 1982, 1983 and 1984 respectively. To fund the Company's downpayment on this transaction, the increased working capital and fixturing required for the re-direction of Whites, and the note maturing on December 31, 1982, consideration is presently being given to the private placement with United States institutions of up to $50 million (U.S.) medium-term notes of Canadian Tire.

Dividends

Reflecting recent performance and continuing confidence in the future of the Company, the quarterly dividend payable on June 1, 1982 has been declared in the amount of 25 cents per share—an increase of 25% from the previous quarterly rate of 20 cents per share.

Appointments

At the 1981 Annual Meeting, Mr. Arthur H. D. Crooks of Lethbridge, Alberta, a Canadian Tire Associate Dealer, was elected to the Board of Directors, replacing Mr. Denvil E. Brown of Ottawa who had served with distinction for four years. Mr. Brown brought to our meetings the benefit of his experience as an associate dealer over the past 21 years.

With the do-it-yourself trend in full swing, we have expanded our lines of home-improvement needs. Canadian Tire stores offer a wide range of value-priced hardware items to the home handyman, many—such as Mastercraft paints—under our own private labels.


8HP

We are pleased to announce the appointment of Mr. John W. Kron as President of White Stores, Inc. while remaining an Executive Vice-President and Director of the parent company.

Mr. Peter B. Edmonson has been appointed Executive Vice-President of the Company with responsibility for the Dealer Relations, Real Estate and Construction, and Central Supply and Services functions of the parent company; the Petroleum Marketing Division, and the major Canadian subsidiaries.

Mr. Bruce R. Wilson has been appointed Vice-President, Dealer Relations while retaining on an interim basis his position as President, Canadian Tire Acceptance Limited. Mr. Dereck A. Hicks has been appointed Vice-President, Real Estate and Construction, and Mr. William H. Hicks as Vice-President, Personnel.

All of these individuals are highly competent, long-service Canadian Tire people who bring to their new responsibilities experience, commitment and enthusiasm.

The people of Canadian Tire

The outstanding results of 1981 could not have been achieved without the dedicated involvement of thousands of people from coast to coast, whether corporate staff, associate dealers, or employees of dealers. It was a year in which even matching the previous year's results in the merchandising field became an achievement. To have recorded our results was a genuine accomplishment. To all of the people of Canadian Tire go the thanks and appreciation of the Directors of the Company.

With the improvement in earnings, the combination of profit sharing awards and employee share purchase bonuses increased by 34.5% to almost $10 million. Profit sharing awards increased not only in amount per person but also as a percentage of per employee earnings.

For more and more Canadians, the "good outdoor life" originates in a Canadian Tire store with its wide selection of gardening and leisuretime needs. At year end, there were 348 Canadian Tire stores.

The outlook

Early 1982 is a difficult time to project much optimism. More than one-million Canadians are unemployed. Inflation remains stubbornly in double digits. Our international competitive position is being eroded. Discretionary incomes are being squeezed by increasing taxes in various forms, by rising energy costs and by extraordinarily high interest rates which make the purchase, or perhaps even the retention, of a home extremely difficult.

As Canadian Tire begins its 60th year, however, the scene is considerably brighter. Our dealer organization, having generally prospered in 1981 through increased sales, improved inventory management and rigorous cost control, looks optimistically to 1982. Our corporate marketing people see no reason to believe that the factors which resulted in our 1981 performance will not again prevail. Dealer sales in January and February were 18.2% higher than the very favourable results recorded in those months of 1981. As a result, although operating in a very difficult environment, we continue to believe that 1982 will be a good year for Canadian Tire.

On Behalf of the Board,
Dated March 15, 1982.

Alex E. Barron   J. D. Muncaster

ALEX E. BARRON
Chairman of the Board

J. D. MUNCASTER
President


CANADIAN TIRE

With record merchandise sales of more than $1.4 billion in 1981, our dealer group influenced the lifestyles of more Canadians than ever before. Total dealer sales have now exceeded the billion-dollar figure for the third consecutive year —a considerable achievement in a retail climate beset by a number of unfavourable and prolonged factors.

The parent company's gross operating revenue also topped $1 billion for the second successive year. (See 10-year review on page 20.)

Our continuing strength in the marketplace, as one of Canada's largest and fastest growing merchandisers, attests to the solid groundwork we have laid nationwide for the wholesale distribution and store sales of high-volume, quick-turnover merchandise lines.

In 1981, 26,444 trailer loads of assorted merchandise—over 81.5 million shipping pieces—were dispatched from our Toronto distribution facilities alone.

By concentrating on our traditional automotive, household hardware and sporting-goods lines and products of a do-it-yourself nature, with only a narrow representation of more volatile consumer needs, Canadian Tire has established a unique position in the marketing field. The consumer response to our product and service offerings in 1981 is an endorsement of our marketing programs and pricing strategies.

Do-it-yourself trade on the upswing

The "do-it-yourself" image associated with Canadian Tire's product assortment is a decided asset to our stores in a period of reduced discretionary incomes. Our advertising promotions—in all media from seasonal catalogues to year 'round television—emphasize the variety and value of the do-it-yourself products and materials available at our stores.

Increasing labour and energy costs are reflected in a growing demand for insulation materials, wall panelings, partitions, shelving, floor and decorative tiles, plumbing supplies and other products that lend themselves to handyman installation.

Five additional Home Centres, stocked with a broader range of home-improvement supplies and tools, were opened during the year—raising the total number to 10. To provide for the growing volume of home-hardware lines at our Brampton distribution centre, adjusting operations were moved to 125,000 square feet of space leased nearby.

Canadian Tire is widely recognized as a "family store" with merchandise of interest to every age group. Sporting goods and recreational items are offered in a wide price range to accommodate the value-conscious shopper.

Modular merchandising techniques simplify in-store arrangements

Modular merchandising techniques were introduced to our sales-floors in 1981 to standardize product-line displays, facilitate re-stocking procedures and increase profitability of the sales area. Product assortments have been pre-programmed into small, medium and large "modules" for in-store display relative to the floor area, selling season and local customer demand.

To perfect this fine-line merchandising program, Management Information Services computers will be monitoring sales data for each module size, in various locations, to establish a basic modular formula for maximizing merchandise turnover in any given product area.

Advance knowledge of "what sells where" will enable Management Information Services to completely plan in-store layouts by computer—based on related factors ranging from the retail area to the dealer's investment in inventory.

Development programs initiated for our workforce

The widening parameters of our business have increased the demands on the front end of our marketing cycle: the Home Office buying group. The negotiating and general skills of newer buyers are being enhanced at training sessions conducted by senior personnel and specialized instructors in manpower development. Awards are also being presented for innovative promotions and successful introduction of product lines.

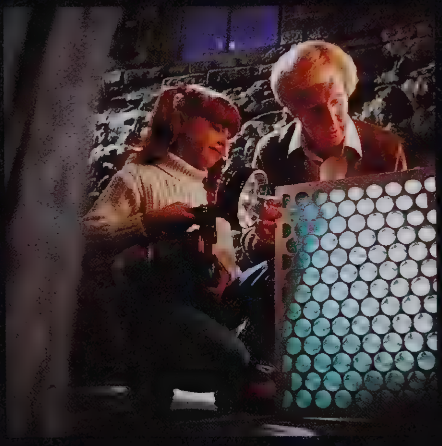
In step with our expansion in all areas of operation, additional emphasis has been placed on the audio-visual training and development of Home Office and store staffs through programs transmitted via our own CTTV (Canadian Tire Television) network.

New computer systems continue inroads on paperwork

Management Information Services (MIS) continued to broaden the computer's role in all stages of our operations. Increased equipment capacity, with greater responsiveness, has extended control and coordination within the marketing, distribution, finance, dealer relations and personnel spheres of our business.

New planning and control report systems have been developed to further our marketing organization's goal of continued


IONA



profit improvement for the dealer network and parent corporation.

Continued tuning of MIS procedures has improved distribution production control as related to store servicing, effecting time and labour economies.

A new billing system has refined Home Office and dealer control over corporate billings and reduced overall accounting costs. Integration of corporate and dealer financial reporting systems has provided improved analysis of purchases, sales and inventories.

In the Home Office personnel area, online wage analysis and organization data have been made available. Combined with the personnel department's own report-generation capability, this provides effective support for improved people management.

12 new gas bars opened during the year

Our Petroleum Division accelerated its marketing activities in Ontario and Québec, opening a record number of 12 new gas bars and upgrading gasoline-dispensing facilities at 11 existing store locations.

As the year closed, construction was also virtually completed on two gas bars in Calgary, Alberta—the first such units to be built outside our present two-province base of operations.

Recycling of auto parts in high gear

Cantire Products Limited, our subsidiary for the remanufacture of automotive parts, continued expansion of its product range. Reconditioned clutch components and a complete line of windshield-wiper motors were added in 1981. The groundwork was also laid for assembling and testing rebuilt engines by Cantire technicians.

The rising cost of new vehicles, and the marked trend to extended vehicle ownership, has heightened the demand for reconditioned auto electrical and mechanical units.

Cantire—with seven allied plant locations and a work staff of over 500—is now one of Canada's largest multi-line remanufacturers of electrical components, brake parts, clutches, water pumps, fuel pumps, carburetors, engine heads and related auto parts.

Two Auto Parts Depots were opened during the year (in Winnipeg and Moncton) to join those already in operation in Toronto, Montréal and Edmonton.

Some 25,000 different auto parts, including Cantire-remanufactured units, are readily available to our stores across Canada and outside accounts through these specialized parts-supply facilities.

Capital expenditures increase 13.8% over 1980

Capital expenditures in Canada totalled $46.8 million at year end—only $7.0 million below the record 1977 level of $53.8 million—as your Company continued its aggressive program of store-site acquisition and construction or renovation of retail and gasoline-vending facilities on a nationwide scale.

The largest area of expenditure—$36.5 million by our real estate and construction division—was for land sites and store building or renovation. Our Petroleum Division invested $3.2 million in a parallel expansion program.

Leasehold improvements and fixture, machinery and equipment purchases totalled $7.1 million—including $3.2 million for additional computer equipment and $0.9 million for 40 trailer units to strengthen our carrier fleet.

Fifteen stores in first-time markets and five replacement stores—20 new store buildings in all—were opened in 1981, continuing the high ratio of new locations to replacement stores for the second consecutive year as we again expanded rapidly in British Columbia and Alberta.

Including the property and equipment of White Stores, Inc., the net book value of the Company's property and equipment at year end, after allowance for depreciation, totalled $323.6 million—a 21.3% increase over 1980 and almost a sixfold increase over the span of the last ten years.

Our very favourable positioning in the marketplace as we advance into the 1980s bears out the foresight of earnings reinvested during the past decade.

Canadian Tire's position as a "one-stop" shopping store has been strengthened by expanding the selection of kitchenware and small electrical appliances. A recent survey revealed that 42 per cent of our customers were female.

YEAR ENDED JANUARY 2, 1982

	1981 (52 weeks)	1980 (53 weeks)
	(Dollars in thousands)	
Gross operating revenue	**$1,340,764**	$1,057,536
Operating expenses		
Cost of merchandise sold and all expenses except for the undernoted items	**1,190,552**	943,034
Depreciation and amortization	**17,500**	16,022
Employee deferred profit sharing and share purchase plans	**9,770**	7,265
Interest		
Long-term debt		
Parent company	**10,789**	11,279
Acceptance company	**3,289**	3,667
Short-term financing		
Acceptance company	**15,200**	7,950
Other	**4,180**	3,257
	1,251,280	992,474
	89,484	65,062
Interest income (Note 6)	**10,948**	7,178
Income before income taxes and extraordinary gain	**100,432**	72,240
Income taxes		
Current	**48,284**	34,736
Deferred	**682**	(223)
	48,966	34,513
Income before extraordinary gain	**51,466**	37,727
Gain on disposals of property (less applicable income taxes: 1981—$747; 1980—$303)	**2,212**	901
Net income	**$ 53,678**	$ 38,628

Earnings per share before extraordinary gain	**$4.05**	$3.07
Earnings per share relating to gain on disposals of property	**0.17**	0.07
Earnings per share	**$4.22**	$3.14
Weighted average number of Class A and common shares outstanding	**12,707,496**	12,296,671

Retained earnings, beginning of year	**$ 254,441**	$ 224,300
Net income	**53,678**	38,628
	308,119	262,928
Dividends	**9,936**	8,487
Retained earnings, end of year	**$ 298,183**	$ 254,441

The accompanying notes, on pages 16 to 19, are an integral part of the financial statements.

YEAR ENDED JANUARY 2, 1982

	1981 (52 weeks)	1980 (53 weeks)
	(Dollars in thousands)	
Sources of working capital		
Operations		
Income before extraordinary gain	**$ 51,466**	$ 37,727
Items not affecting working capital		
Depreciation and amortization	**17,500**	16,022
Amortization of long-term debt discount and issue expense	**119**	175
Amortization of goodwill	**151**	151
Deferred income taxes	**682**	(223)
(Gain) loss on disposals of equipment	**(190)**	364
	69,728	54,216
Advances to Canadian Tire dealers repaid	**7,272**	4,991
Other investments—net	**462**	229
Issue of promissory notes—net	**5,000**	4,500
Issue of Class A shares	**14,166**	11,088
Proceeds on disposals of property and equipment	**10,578**	3,255
	107,206	78,279
Uses of working capital		
Additions to property and equipment	**46,783**	41,098
Decrease in mortgages and obligation under capital lease—net	**696**	924
Notes receivable	**2,075**	—
Increase in mortgages receivable—net	**3,646**	(179)
Purchase of Sinking Fund Debentures for redemption	**3,050**	3,550
Dividends	**9,936**	8,487
Long-term debt issue expense	**75**	136
Net working capital applied to acquisition of U.S. business (Note 10)	**14,373**	—
	80,634	54,016
Increase in working capital	**26,572**	24,263
Working capital, beginning of year	**155,732**	131,469
Working capital, end of year	**$182,304**	$155,732

The accompanying notes, on pages 16 to 19, are an integral part of the financial statements.

JANUARY 2, 1982

ASSETS

	1981	1980
	(Dollars in thousands)	
Current assets		
Cash and short-term investments	$ 51,074	$ 67,643
Accounts and loans receivable	99,178	85,783
Merchandise inventories	218,251	149,164
	368,503	302,590
Acceptance company		
Charge account receivables	151,826	128,907
Other	8,104	3,686
Total current assets	528,433	435,183
Investments and advances (Note 2)	36,625	44,151
Mortgages receivable	4,494	848
Notes receivable (Note 5)	2,075	—
Property and equipment (Notes 3 and 10)	323,619	266,854
Goodwill	152	303
Long-term debt discount and issue expense	1,018	1,062
	$896,416	$748,401

The accompanying notes, on pages 16 to 19, are an integral part of the financial statements.

LIABILITIES

	1981	1980
	(Dollars in thousands)	
Current liabilities		
Bank indebtedness	**$ 6,416**	$ 7,420
Accounts payable	**121,159**	92,035
Accrued liabilities and coupons outstanding	**70,696**	52,901
Income taxes payable	**13,532**	33,682
Loans payable to directors and shareholders	**3,795**	4,008
Current portion of long-term debt	**1,860**	1,525
Due to White Credit, Inc. (Note 10)	**26,507**	—
	243,965	191,571
Acceptance company		
Bank loan	**833**	354
Short-term promissory notes	**92,420**	83,574
Accounts payable	**7,313**	3,952
Income taxes payable	**1,598**	—
Total current liabilities	**346,129**	279,451
Long-term debt (Note 4)	**159,134**	136,387
Deferred income taxes	**4,281**	3,599
	509,544	419,437

SHAREHOLDERS' EQUITY

Share capital (Note 5)	**88,689**	74,523
Retained earnings	**298,183**	254,441
	386,872	328,964
	$896,416	$748,401

Approved by the Board: J. D. MUNCASTER, *Director;* A. L. SHERRING, *Director.*

Incorporated under the Laws of the Province of Ontario

1 Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Accounting period – The company's financial year consists of a fifty-two or fifty-three week period ending on the Saturday closest to December 31. The financial years of the Canadian subsidiaries end on December 31.

Principles of consolidation – The consolidated financial statements include the accounts of Canadian Tire Corporation, Limited and its subsidiaries, all of which are wholly owned.

Merchandise inventories – Merchandise inventories are valued at the lower of cost and estimated net realizable value less normal profit margin, with cost being determined substantially on a first-in, first-out basis.

Property and equipment – Property and equipment are stated at cost. Depreciation is provided using the declining-balance method at various annual rates (buildings–5% and 10%, fixtures and equipment–10% to 20%, and automotive and computer equipment–30%). Amortization of leasehold improvements is provided on a straight-line basis over the terms of the respective leases. A full year's depreciation is provided on all retail stores opened during the year, or under construction at the year end. Depreciation of major warehouse facilities is commenced in the month the facilities are placed into service. Internal development costs, interest and realty taxes pertaining to construction in progress and land held for development are expensed as incurred.

Leased property and equipment – Property and equipment leased after December 31, 1978 on terms which transfer substantially all of the benefits and risks of ownership to the company are accounted for as capital leases, as though an asset had been purchased and a liability incurred. Amortization is provided on a straight-line basis over the estimated useful life. Other leased assets are accounted for as operating leases.

Goodwill – Goodwill arising on the acquisition of a subsidiary company is recorded at cost less accumulated amortization which is being provided on a straight-line basis over a period of seven years.

Translation of foreign currencies – Current assets and liabilities in foreign currencies are translated at the rates in effect at the balance sheet date. Income and expenses are translated at rates approximating the rates of exchange prevailing on the dates of the transactions. The original investment in the ordinary shares of and the advances to McEwan's Limited are translated at historical rates. The property and equipment and the long-term debt acquired from White Credit, Inc. (Note 10) are translated at historical rates.

Long-term debt discount and issue expense – Debt discount and issue expense is amortized over the terms of the debt such that the stated interest together with the amortization will always yield a consistent effective borrowing rate.

Income taxes – The company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

Acceptance company – Charge account receivables are due in terms not exceeding twenty-four months and, in accordance with recognized trade practice, are included in current assets.

Discounts on charge account receivables purchased are taken into revenue at the time the receivables are purchased. The accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

Earnings per share – The earnings per share figures are calculated using the weighted average number of shares outstanding during the year.

2 Investments and Advances

	1981	1980
	(Dollars in thousands)	
Advances to Canadian Tire dealers–less amounts due within one year–at cost	$21,270	$28,542
Other investments	15,355	15,609
	$36,625	$44,151

Other investments – Included in other investments is an advance of $2,790,000 to McEwan's Limited in the form of a five year 11% note. At any time prior to the maturity date in 1984, the company has the option to convert the note into 1,443,915 ordinary shares. On conversion of the note and assuming the options granted by the company on 824,065 shares to executives of McEwan's are exercised, the company's interest in McEwan's would approximate 36.3%.

The fiscal year end of McEwan's Limited is June 30. Effective with McEwan's fiscal year commencing July 1, 1980 the company has accounted for its investment in McEwan's using the equity method. The company's proportionate share of McEwan's results is reflected six months in arrears in the company's financial statements.

3 Property and Equipment

	1981	1980
	(Dollars in thousands)	
Land	$ 79,451	$ 65,277
Buildings	270,455	229,873
Fixtures and equipment	70,383	58,924
Leasehold improvements	16,843	11,410
	437,132	365,484
Less accumulated depreciation and amortization	113,513	98,630
	$323,619	$266,854

Capital leases – Minimum rental payments under the Canadian capital lease amount to $91,000 in each of the next five years, and aggregate $1,628,000 thereafter. The present value of minimum rental payments, net of the current portion of $13,000, amounts to $707,000.

The gross amount of the capital lease at January 2, 1982 relates to a building valued at $732,000. The related long-term obligation is included in long-term debt (Note 4).

In respect of the acquisition of the U.S. business (Note 10) the company purchased capital leases for $1,080,000 and assumed the related capital lease obligations of $484,000. The long-term portion thereof amounts to $287,000 and is included in long-term debt (Note 4).

4 Long-term Debt

	1981	1980
	(Dollars is thousands)	
Promissory notes of Acceptance company, at rates from 12½% to 15¾% maturing at various dates to 1995	$ 32,000	$ 27,000
Mortgages and obligations under capital leases –less amounts due within one year	2,528	2,937
Notes payable on purchase of assets from White Credit, Inc. ($17,884 U.S.) (Note 10)	21,206	—
Sinking Fund Debentures (unsecured):		
8½% Series A, maturing June 1, 1991	11,800	12,300
9¼% Series B, maturing July 15, 1994	24,000	25,350
10¾% Series C, maturing August 15, 1995	27,600	28,800
10% Series D, maturing August 15, 1997	40,000	40,000
	103,400	106,450
	$159,134	$136,387

Mortgages – Mortgages, which have been assumed on the acquisition of properties, mature at various dates extending to 1987, and bear interest at various rates up to 10%.

Sinking Fund Debentures – The Sinking Fund Debentures are redeemable, in whole or in part, at various premium rates which decline annually.

Under the Trust Indentures, sinking funds must be provided to redeem principal amounts of each series by annual payments in certain years during which the Sinking Fund Debentures are outstanding, as follows:

Series	Annual Amount	Redemption Period
	(Dollars in thousands)	
A	$ 500	1982 - 1991
B	$1,500	1982 - 1993
C	$1,200	1982 - 1994
D	$2,000	1983 - 1997

In addition to the mandatory sinking fund requirements, the company annually has the non-cumulative right to make optional sinking fund payments during the retirement period sufficient to retire additional Series A Debentures of a principal amount not in excess of $250,000 and additional Series C Debentures of a principal amount not in excess of $300,000.

The Trust Indentures impose certain restrictions on the company. To January 2, 1982, all of the conditions of the Trust Indentures have been met.

Repayment requirements – At January 2, 1982, the company had met certain sinking fund requirements of future years. After giving effect to these advance fundings, annual maturities and mandatory sinking fund requirements in respect of long-term debt for each of the next five years are as follows:

Year	Acceptance Company	Other	Total
	(Dollars in thousands)		
1982	$ 5,000	$ 1,860	$ 6,860
1983	—	$16,053	$16,053
1984	—	$16,332	$16,332
1985	$ 7,000	$ 5,625	$12,625
1986	$10,000	$ 5,506	$15,506

5 Share Capital

	1981	1980
	(Dollars in thousands)	
Authorized		
15,000,000 Class A non-voting shares without par value		
3,450,300 common shares without par value		
Issued and fully paid		
9,421,168 Class A shares (1980 — 8,957,803)	$87,797	$73,631
3,450,000 common shares	892	892
	$88,689	$74,523

Conditions of Class A shares – The conditions attached to the Class A shares prohibit the issue of Class A shares unless either:

(a) such shares are being issued to, or for the benefit of, employees of the company, or employees of any subsidiary, or authorized dealers, or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time; or

(b) the authorization of the holders of Class A shares shall first have been obtained.

5 Share Capital/continued

The holders of Class A shares are entitled to receive a preferential cumulative dividend at the rate of 4 cents per share per annum and, after payment of a dividend on each of the common shares at a similar rate, are entitled to participate, pro rata, in further dividends declared and paid in each year.

Issue of Class A shares – During 1981, the company issued 463,365 Class A shares for cash in the total amount of $14,166,000. All of these shares were issued in accordance with the conditions above.

Of the Class A shares issued during the year, 64,344 were issued to certain senior executives at the price of $32.25 per share, being the closing sale price on the Toronto Stock Exchange on August 6, 1981, the date on which such shares were agreed to be allotted. Substantially all of the purchase price of such shares was paid from interest-free loans from the company. These loans are to be repaid over a maximum period of 10 years. The shares purchased are pledged as security for the loans, and in the event of a participant ceasing to be employed by the company, the proceeds of sale of the shares will discharge the loans. The total of such outstanding loans amounted to $2,075,000 at January 2, 1982, and further loans have been authorized to be made in the aggregate to such executives of up to $750,000 on each of August 6, 1982, 1983 and 1984. Loans aggregating $250,000 have been authorized to be made on the same terms to two additional Vice-Presidents for the purchase of 6,849 Class A shares at a price of $36.50 per share, being the closing price on the Toronto Stock Exchange on March 12, 1982.

Subsequent to the year end, the company issued 118,188 Class A shares for cash in the total amount of $4,273,000.

Share options – Under a share option arrangement, certain senior officers engaged directly in the management of the company were granted options to purchase Class A shares of the company, as follows:

Date Granted	Expiry Date	Price	Number of Shares
Feb. 29, 1972	Feb. 28, 1982	$35.325	12,603
Feb. 28, 1973	Feb. 28, 1983	$54.900	9,127
Feb. 28, 1974	Feb. 28, 1984	$40.950	10,221
Jan. 2, 1975	Jan. 2, 1985	$34.537	24,581
Jan. 2, 1976	Jan. 2, 1986	$41.175	21,054
Jan. 3, 1977	Jan. 3, 1987	$38.475	16,681
			94,267

The exercise of these share options would have no material effect on the reported earnings per share.

6 Interest Income

Interest income arose from the following sources:

	1981	1980
	(Dollars in thousands)	
Advances to dealers	$ 6,210	$3,978
Short-term investments	3,866	2,335
Mortgages	412	207
Other	460	658
	$10,948	$7,178

Interest earned on charge account receivables of Canadian Tire Acceptance Limited is included in gross operating revenue in the consolidated statement of income.

7 Operating Leases

As at January 2, 1982, the company is committed to minimum annual rentals (exclusive of taxes, insurance, and other occupancy charges) of equipment and properties under leases with termination dates extending to 2021. Under sublease arrangements, the majority of these properties are income producing. The minimum annual rental payments required in each of the next five years and thereafter are as follows:

	Minimum Annual Rentals
	(Dollars in thousands)
1982	$10,725
1983	$ 9,577
1984	$ 8,787
1985	$ 6,847
1986	$ 6,003
1987 to 2021	$66,209

8 Related Party Transactions

Transactions with directors/shareholders who are associate dealers – The company conducts its Canadian merchandising business through 348 retail stores which are operated by independent associate dealers, three of whom are also members of the company's Board of Directors. During 1981, the aggregate billings to those three dealers totalled less than 2% of the company's gross operating revenue. All transactions with these dealers and other associate dealers who may be shareholders of the company were in accordance with established corporate policy applicable to all dealers.

Loans from directors and shareholders – As disclosed in the consolidated balance sheet, the company has loans payable to directors and shareholders which bear interest at rates which approximate those payable by the company from time to time on its borrowings in the commercial paper market.

9 Commitments

As at January 2, 1982, the company had commitments of $10,869,000 for the acquisition of properties and equipment and the expansion of retail store facilities.

In addition, the company was committed to an investment of $10,000,000 which closed subsequent to the year end, for a Scientific Research Contract with Bell-Northern Research Ltd. and Northern Telecom Limited. Income which will be derived from this investment will be recognized in a manner which provides a uniform rate of return over the five year term of the contract.

10 Business Acquisition

Effective January 1, 1982, the company acquired substantially all of the assets and operations of the retail and dealer divisions of White Credit, Inc. (formerly White Stores, Inc.) of Wichita Falls, Texas. The retail division comprises 81 stores located primarily in Texas. The dealer division is made up of over 400 independent dealer-owned stores located in the southern United States from the eastern seaboard west to New Mexico. The stores are serviced by four warehouses in Wichita Falls, Lufkin and Shallowater, Texas and Macon, Georgia.

The acquisition, made by a new Texas corporation now named White Stores, Inc., is being accounted for by the purchase method. The first fiscal year end of White Stores, Inc. is January 2, 1982. The operating results for the period January 1 to January 2, 1982 are not significant in the company's consolidated statement of income.

The purchase price of $40,240,000 U.S., being equivalent to $47,713,000 (Canadian), was satisfied by the payment of $13,414,000 U.S. ($15,904,000 Canadian) and the delivery of three interest-bearing promissory notes each in the amount of $8,942,000 U.S. ($10,603,000 Canadian) and maturing on December 31, 1982, 1983 and 1984 respectively. The interest rate on the notes is equal to the greater of 12% per annum and a rate equal to 200 basis points below the daily weighted average for outstanding commercial paper of Household Merchandising Inc., the U.S. parent of White Credit, Inc., for the three month period ending on the last day of the month immediately preceding the month in which each quarterly payment of interest is due. The interest rate for the first quarter of 1982 is 12%. In addition, White Stores, Inc. assumed certain liabilities of the vendor.

The purchase is summarized in Canadian dollars as follows:

		(Dollars in thousands)
Net working capital acquired		$12,134
Property and equipment, including capitalized leases and leasehold interests	$35,658	
Long-term portion of capital lease obligations	(287)	35,371
Other assets		208
Net assets acquired		$47,713
The effect on consolidated working capital is:		
Use of working capital:		
Payment on closing		$15,904
Promissory note due December 31, 1982		10,603
		26,507
Working capital acquired		(12,134)
Net use of working capital		$14,373

11 Segmented Information

Management has determined that the operations of the company and its subsidiaries form a single, integrated industry segment made up of compatible and complementary product lines and activities.

Since White Stores, Inc. operated in fiscal 1981 for only one day, it is not meaningful to disclose the operating results of this geographic segment. Note 10 sets out the net assets of this U.S. business.

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of
Canadian Tire Corporation, Limited:

We have examined the consolidated balance sheet of Canadian Tire Corporation, Limited as at January 2, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 2, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

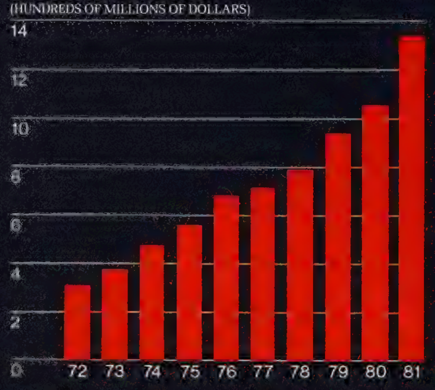
Toronto, Ontario
March 15, 1982

Deloitte Haskins + Sells
Chartered Accountants

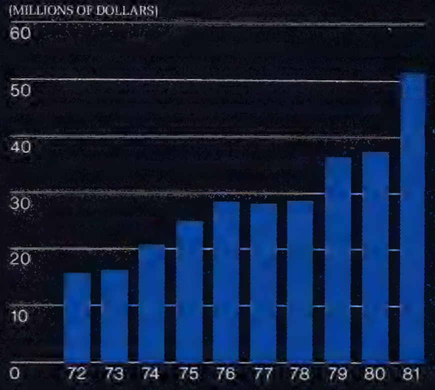
DOLLARS IN THOUSANDS (except per share amounts)

	1981	1980	1979	1978	1977
Comparative Income Statement					
Gross operating revenue	$ **1,340,764**	1,057,536	935,753	798,717	718,114
Pre-tax income	$ **100,432**	72,240	69,583	53,938	52,240
Income taxes	$ **48,966**	34,513	33,070	25,163	23,750
Income before extraordinary gain	$ **51,466**	37,727	36,513	28,775	28,490
Extraordinary gain	$ **2,212**	901	2,195	694	1,000
Net income	$ **53,678**	38,628	38,708	29,469	29,490
Dividends	$ **9,936**	8,487	7,017	10,435	5,800
Income retained and reinvested	$ **43,742**	30,141	31,691	19,034	23,690
Comparative Balance Sheet					
Current assets	$ **528,433**	435,183	343,372	312,831	277,894
Investments and advances	$ **36,625**	44,151	49,371	1,823	1,014
Property and equipment	$ **323,619**	266,854	244,496	235,989	218,209
Other assets	$ **7,739**	2,213	2,582	3,620	4,026
Total assets	$ **896,416**	748,401	639,821	554,263	501,143
Current liabilities	$ **346,129**	279,451	211,903	165,040	134,511
Long-term debt	$ **159,134**	136,387	136,361	138,377	142,317
Deferred income taxes	$ **4,281**	3,599	3,822	3,382	1,512
Shareholders' equity	$ **386,872**	328,964	287,735	247,464	222,803
Per share					
Income before extraordinary gain	$ **4.05**	3.07	3.07	2.49	2.50
Net income	$ **4.22**	3.14	3.26	2.55	2.59
Dividends	$ **.78**	.69	.59	.90	.51
Shareholders' equity	$ **30.44**	26.75	24.20	21.40	19.59
Statistics at year end					
Number of Associate Stores	**348**	333	319	314	314
Number of gasoline stations	**83**	71	64	62	61
Number of Class A shareholders	**8,075**	8,665	9,310	10,435	10,248
Number of common shareholders	**1,168**	1,252	1,315	1,450	1,417

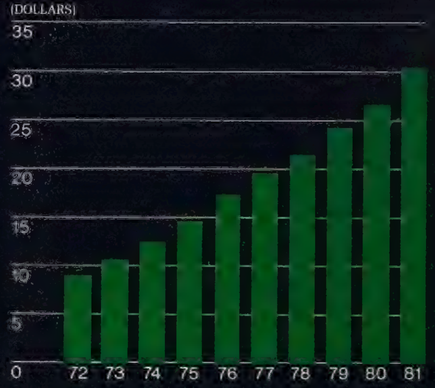
GROSS OPERATING REVENUE



INCOME EXCLUDING EXTRAORDINARY ITEMS



EQUITY OF EACH CLASS A AND COMMON SHARE



1976	1975	1974	1973	1972
683,684	561,032	472,323	378,587	309,174
54,698	50,119	44,174	33,020	30,745
26,147	24,843	22,823	16,689	14,763
28,551	25,276	21,351	16,331	15,982
369	517	130	79	118
28,920	25,793	21,481	16,410	16,100
5,175	4,217	3,292	2,944	2,499
23,745	21,576	18,189	13,466	13,601
243,726	209,085	158,973	113,502	98,440
1,011	2,633	5,105	3,715	3,399
177,534	144,256	119,779	92,402	69,893
4,729	2,542	1,533	1,003	1,063
427,000	358,516	285,390	210,622	172,795
131,638	99,379	102,096	79,795	58,357
100,453	95,072	46,876	16,361	15,956
96	575	–	–	–
194,813	163,490	136,418	114,466	98,482
2.54	2.28	1.95	1.50	1.47
2.57	2.32	1.96	1.51	1.48
.46	.38	.30	.27	.23
17.32	14.73	12.43	10.49	9.06
303	295	287	283	269
58	58	54	52	49
10,035	10,060	10,467	10,250	8,626
1,418	1,465	1,528	1,514	1,268

Store openings in 1981

ALBERTA
Edmonton, North-East
Edmonton, South
Grand Prairie

BRITISH COLUMBIA
Burnaby
Kelowna
North Vancouver
Penticton
Surrey

NEW BRUNSWICK
Saint John

NOVA SCOTIA
New Glasgow*

ONTARIO
Kirkland Lake*
Lindsay*
Napanee*
Oshawa
Tillsonburg*
Toronto

QUÉBEC
La Tuque
Montréal
Québec City
Sherbrooke

*Replacement store building

Stores at year end by province

	1981	1980
Alberta	17	14
British Columbia	12	7
Manitoba	10	10
New Brunswick	14	13
Newfoundland	9	9
Nova Scotia	18	18
Ontario	180	178
Prince Edward Island	2	2
Québec	76	72
Saskatchewan	10	10
Total:	348	333

STATEMENTS OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1981

CANADIAN TIRE ACCEPTANCE LIMITED

	1981	1980 (restated)
	(Dollars in thousands)	
Gross operating revenue	**$39,524**	$29,899
Operating expenses		
Interest on borrowed funds		
Short-term debt	**15,200**	7,950
Long-term debt	**3,289**	3,667
Net provision for credit losses	**6,033**	6,949
Other	**12,697**	11,885
	37,219	30,451
Income (Loss) before income taxes	**2,305**	(552)
Income taxes (recoverable)		
Current	**1,243**	(325)
Deferred	**(45)**	67
	1,198	(258)
Net income (Loss)	**$ 1,107**	$ (294)

	1981	1980 (restated)
Retained earnings, beginning of year		
As previously reported	**$ 5,521**	$ 5,910
Adjustment of prior years' capital tax and interest —less applicable income taxes (Note 4)	**334**	239
As restated	**5,855**	6,149
Net income (Loss)	**1,107**	(294)
Retained earnings, end of year	**$ 6,962**	**$ 5,855**

BALANCE SHEET

DECEMBER 31, 1981

ASSETS	1981	1980 (restated)
	(Dollars in thousands)	
Current assets		
Accounts receivable	**$ 7,812**	$ 3,719
Charge account receivables (less allowance for credit losses: 1981—$3,611; 1980—$3,321)	**151,826**	128,907
Due from parent company	**—**	351
Income taxes recoverable	**—**	11
Prepaid expenses	**292**	290
	159,930	133,278
Property and equipment		
Fixtures and equipment	**2,181**	2,222
Leasehold improvements	**389**	373
	2,570	2,595
Less accumulated depreciation and amortization	**1,821**	1,438
	749	1,157
Promissory notes issue expense	**181**	129
	$160,860	$134,564

The accompanying notes, on page 24, are an integral part of the financial statements.

OFFICERS

V. P. ALOIAN,
Vice-President, Management Information Services

P. M. J. d'ANTONIO,
Vice-President, Retail and Commercial Operations

M. BEVACQUA,
Assistant General Manager

P. C. DURNFORD,
Vice-President and General Manager

R. LAW,
Secretary

A. J. MANTLER,
Assistant to Vice-President and Financial

L. M. MORRISON,
Assistant to President and Comptroller

F. Y. SASAKI,
Treasurer

B. R. WILSON
President

YEAR ENDED DECEMBER 31, 1981

	1981	1980 (restated)
	(Dollars in thousands)	
Sources of working capital		
Operations		
Net income (loss)	$ 1,107	$ (294)
Items not affecting working capital		
Depreciation and amortization	390	361
Deferred income taxes	(45)	67
Loss on disposals of equipment	60	—
Amortization of promissory notes issue expense	23	28
	1,535	162
Proceeds on disposals of equipment	302	1
Proceeds on issue of promissory notes—net	5,000	4,500
Proceeds on issue of preference shares	2,000	3,000
	8,837	7,663
Uses of working capital		
Additions to property and equipment	344	406
Promissory notes issue expense	75	136
	419	542
Increase in working capital	8,418	7,121
Working capital, beginning of year		
As previously reported	45,064	38,038
Adjustment of prior years' capital tax and interest —less applicable income taxes (Note 4)	334	239
As restated	45,398	38,277
Working capital, end of year	$53,816	$45,398

LIABILITIES	1981	1980 (restated)
	(Dollars in thousands)	
Current liabilities		
Bank loan (Note 2)	$ 833	$ 354
Accounts payable	7,313	3,952
Income taxes	1,598	—
Short-term promissory notes (Note 2)	92,420	83,574
Due to parent company	3,950	—
	106,114	87,880
Promissory notes (Note 3)	32,000	27,000
Deferred income taxes	84	129
	138,198	115,009
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
3,000,000 5% non-cumulative preference shares of a par value of $10 each, redeemable at amount paid thereon		
200,000 common shares of no par value		
Issued and fully paid		
1,560,000 preference shares (1980—1,360,000)	15,600	13,600
100,000 common shares	100	100
Retained earnings	6,962	5,855
	22,662	19,555
	$160,860	$134,564

BOARD OF DIRECTORS

A. E. BARRON
J. W. KRON
R. LAW
J. D. MUNCASTER
B. R. WILSON

Approved by the Board:
B. R. WILSON
Director
J. D. MUNCASTER,
Director

1 Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Charge account receivables – Charge account receivables are due in terms not exceeding twenty-four months and, in accordance with recognized trade practice, are included in current assets.

Property and equipment – Property and equipment are stated at cost. Depreciation is provided using the declining-balance method at annual rates of 20% for fixtures and equipment and 30% for computer equipment. Amortization of leasehold improvements is provided on a straight-line basis over a period of five years.

Promissory notes issue expense – Promissory notes issue expense is amortized over the terms of the promissory notes such that the stated interest together with the amortization will always yield a consistent effective borrowing rate.

Income taxes – The company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

Revenue recognition – Discounts on charge account receivables purchased are taken into revenue at the time the receivables are purchased. The accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

2 Short-term Promissory Notes and Bank Loan

The short-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The company has available bank stand-by credit to cover its obligation for the repayment of authorized notes outstanding from time to time. In addition, the parent company has guaranteed any bank loan which the company may incur.

3 Promissory Notes

	(Dollars in thousands)
9%, due April 15, 1982	$ 5,000
12½%, due February 5, 1985	5,000
13½%, due December 2, 1985	2,000
15¾%, due December 15, 1986	10,000
12½%, due February 5, 1990	7,500
12½%, due February 6, 1995	7,500
	37,000
Due within one year, classified with short-term promissory notes	5,000
	$32,000

The promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited.

4 Prior Period Adjustment

As a result of a correction of capital taxes applicable to the years 1975 to 1980 the balance of retained earnings at January 1, 1981 has been adjusted by the refund including interest less applicable income taxes. Of the total adjustment, $95,000 relates to the year ended December 31, 1980 and $239,000 to the years prior to 1980.

5 Operating Leases

The minimum annual lease payments for data processing equipment under operating leases that expire in 1983 are:

1982 — $780,000 1983 — $280,000

6 Remuneration of Directors and Senior Officers

The total remuneration of the directors and five (1980–six) senior officers, as defined in The Business Corporations Act, Ontario, was $398,000 in 1981 (1980–$432,000).

7 Related Party Transactions

The company derives its operating revenue from administering the credit card program of its parent company, Canadian Tire Corporation, Limited.

In addition, the parent company shares in the costs incurred by the company in securing new card holders and reimburses the company for certain costs of promotional programs initiated by the parent company, including the introduction of the bank credit card program. The aggregate amount received by the company in 1981 for these costs was approximately $1.7 million (1980–$2.7 million).

Other significant transactions between the company and its parent company are as follows:

	1981	1980
	(Dollars in thousands)	
Accounts receivable purchased from the parent company for cash	$32,000	$23,000
Preference shares issued to the parent company for cash	$ 2,000	$ 3,000

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of Canadian Tire Acceptance Limited:

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1981 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 15, 1982

Deloitte Haskins + Sells
Chartered Accountants

BOARD OF DIRECTORS

A. E. BARRON
Chairman of the Board
President, Canadian General Investments, Limited

A. D. BILLES
President, Bilco Tire Limited, Toronto, Canada
A Canadian Tire Associate Store Owner

A. W. BILLES
President, 839 Yonge Main Store Limited, Toronto, Canada
A Canadian Tire Associate Store Owner

D. G. BILLES
President, Performance Engineering, Thornhill, Canada

MARTHA GARDINER BILLES
President, Marowe Investment Corporation, an investment holding company

A. H. D. CROOKS
President, A. H. D. Crooks Limited, Lethbridge, Canada
A Canadian Tire Associate Store Owner

J. W. KRON
Executive Vice-President

R. LAW, Q.C.
Secretary and General Counsel
Partner, Blackwell, Law, Spratt, Armstrong & Grass, Barristers and Solicitors

J. D. MUNCASTER
President and Chief Executive Officer

A. L. SHERRING, C.A.
Formerly executive, National Trust Company, Limited, Toronto, Canada

OFFICERS OF THE COMPANY

A. E. BARRON,
Chairman of the Board

S. J. BOCHEN,
Vice-President,
Distribution

J. F. CROWLEY,
Vice-President,
Marketing

P. B. EDMONSON,
Executive Vice-President

D. A. HICKS,
Vice-President,
Real Estate and Construction

W. H. HICKS,
Vice-President,
Personnel

J. W. KRON,
Executive Vice-President

R. LAW,
Secretary and General Counsel

A. B. MALCOLM,
Vice-President,
Petroleum Marketing

J. D. MUNCASTER,
President and Chief Executive Officer

F. Y. SASAKI,
Vice-President,
Finance and Treasurer

B. SETNOR,
Vice-President,
Management Information Services

C. D. SMITH,
Assistant Treasurer

B. R. WILSON,
Vice-President,
Dealer Relations

MAJOR SUBSIDIARIES

Canadian Tire Acceptance Limited
B. R. WILSON,
President

Cantire Products Limited
W. A. MOFFATT,
President

White Stores, Inc.
J. W. KRON,
President

REGISTRAR & TRANSFER AGENT
National Trust Company, Limited, Toronto, Montreal & Calgary

SOLICITORS
Blackwell, Law, Spratt, Armstrong & Grass

BANKERS
Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank

AUDITORS
Deloitte Haskins + Sells, Chartered Accountants

TIRES . . . and a lot more!

1 Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Charge account receivables – Charge account receivables are due in terms not exceeding [illegible] four months and, in accordance with recognized trade practice, are included in current assets.

Property and equipment – Property and equipment are stated at cost. Depreciation is provided using the declining-balance method at annual rates of 20% for fixtures and equipment and 30% for computer equipment. Amortization of leasehold improvements is provided on a straight-line basis over a period of five years.

Promissory notes issue expense – [illegible] the promissory notes such that the [illegible] with the amortization will always yield a consistent effective borrowing rate.

Income taxes – The company accounts for income taxes using the deferral method of tax allocation, under which income taxes are provided in the year transactions affect net income, regardless of when such transactions are recognized for tax purposes.

Revenue recognition – Discounts on charge account receivables purchased are taken into revenue at the time the receivables are purchased. The accounts are maintained on a cycle-billing basis and service charges are accrued each month on balances outstanding at the close of each cycle.

2 Short-term Promissory Notes and Bank Loan

The short-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The company has available bank stand-by credit to cover its obligation for the repayment of authorized notes outstanding from time to time. In addition, the parent company has guaranteed any bank loan which the company may incur.

3 Promissory Notes

	(Dollars in thousands)
9%, due April 15, 1982	$ 5,000
12½%, due February 5, 1985	5,000
13½%, due December 2, 1985	2,000
15¾%, due December 15, 1986	10,000
12½%, due February 5, 1990	7,500
12½%, due February 6, 1995	7,500
	37,000
Due within one year, classified with short-term promissory notes	5,000
	$32,000

The promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited.

4 Prior Period Adjustment

As a result of a correction of capital taxes applicable to the years 1975 to 1980 the balance of retained earnings at January 1, 1981 has been adjusted [illegible] applicable income taxes. Of [illegible] relates to the year ended December 31, 1980 and $239,000 to the years prior to 1980.

5 Operating Leases

The minimum annual lease payments for data processing equipment under operating leases that expire in 1983 are:

1982 — $780,000 1983 — $280,000

6 Remuneration of Directors and Senior Officers

The total remuneration of the directors and five (1980–six) senior officers, as defined in The Business Corporations Act, Ontario, was $398,000 in 1981 (1980–$432,000).

7 Related Party Transactions

The company derives its operating revenue from administering the credit card program of its parent company, Canadian Tire Corporation, Limited.

In addition, the parent company shares in the costs incurred by the company in securing new card holders and reimburses the company for certain costs of promotional programs initiated by the parent company, including the introduction of the bank credit card program. The aggregate amount received by the company in 1981 for these costs was approximately $1.7 million (1980–$2.7 million).

Other significant transactions between the company and its parent company are as follows:

	1981	1980
Accounts receivable purchased from the parent company for cash	$32,000	$23,000
Preference shares issued to the parent company for cash	$ 2,000	$ 3,000

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of Canadian Tire Acceptance Limited:

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1981 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 15, 1982

Deloitte Haskins + Sells
Chartered Accountants

TIRES . . . and a lot more!

348 STORES ACROSS CANADA